

SENATE FINANCE COMMITTEE

March 18, 2021

9:02 a.m.

9:02:29 AM

CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at 9:02 a.m.

MEMBERS PRESENT

Senator Click Bishop, Co-Chair  
Senator Bert Stedman, Co-Chair  
Senator Lyman Hoffman  
Senator Donny Olson  
Senator Natasha von Imhof  
Senator Bill Wielechowski (via teleconference)  
Senator David Wilson (via teleconference)

MEMBERS ABSENT

None

PRESENT VIA TELECONFERENCE

Rebecca Himschoot, Self, Sitka; Mike Coons, President, Association of Mature American Citizens - Alaska Chapter, Palmer; Pat Branson, Mayor of Kodiak, Kodiak; Tom Brice, University of Alaska Fairbanks Alumni Association Board of Directors, Juneau; Dianne MacRae, Self, Kasilof; Josie Bahnke, City of Kodiak, Kodiak; Darlene Turner, Kodiak Teen Court, Kodiak; Richmond Tolles, Self, Haines; Vikki Jo Kennedy, Self, Juneau; Mark Detter, City Manager, Valdez; Nikki Love, Community Engagement Coordinator, Association for the Education of Young Children SE AK, Juneau; Shannon Adamson, Masters, Mates, and Pilots Union, Juneau; Elizabeth Leban, Juneau Youth Court, Juneau; Andrew Cremata, Mayor of Skagway, Skagway; Nancy DeCherney, Juneau Arts and Humanities Council, Juneau; Amy Lujan, Alaska Association of School Business Officials, Juneau; Nancy Bird, Self, Cordova; Paul Rioux, Sitka School Board, Sitka; Mike Brown, Matsu Borough, Palmer; John Erickson, City Manager, Yakutat; Larry Lewis, Self, Kasilof; John Sonin, Self, Juneau-Douglas; Jim Tebow, Self, Kodiak; Michele Elfers, Alaska Professional Design Council, Juneau; Beth

Weldon, Mayor of Juneau, Juneau; Katie Bender, President, UAA Alumni Association, Anchorage; Don Sorenson, Self, Wasilla; Mary Loewen, Member of UAF Alumni Association, Kodiak; Erin Reinders, City Manager, Unalaska; Joy Lyon, Executive Director, Association for the Education of Young Children, Juneau.

#### SUMMARY

SB 49        APPROP: OPERATING BUDGET/LOANS/FUNDS

SB 49 was HEARD and HELD in committee for further consideration.

SB 50        APPROP: CAP; REAPPROP; SUPP; AMEND

SB 50 was HEARD and HELD in committee for further consideration.

SB 51        APPROP: MENTAL HEALTH BUDGET

SB 51 was HEARD and HELD in committee for further consideration.

#sb49

#sb50

#sb51

#### SENATE BILL NO. 49

"An Act making appropriations for the operating and loan program expenses of state government and for certain programs; capitalizing funds; amending appropriations; making reappropriations; making supplemental appropriations; making appropriations under art. IX, sec. 17(c), Constitution of the State of Alaska, from the constitutional budget reserve fund; and providing for an effective date."

#### SENATE BILL NO. 50

"An Act making appropriations, including capital appropriations, reappropriations, and other appropriations; making supplemental appropriations; making appropriations to capitalize funds; and providing for an effective date."

#### SENATE BILL NO. 51

"An Act making appropriations for the operating and capital expenses of the state's integrated comprehensive mental health program; making supplemental appropriations; and providing for an effective date."

[9:03:56 AM](#)

^PUBLIC TESTIMONY: SOUTHEAST, PRINCE WILLIAM SOUND, AND KODIAK

[9:03:56 AM](#)

REBECCA HIMSCHOOT, SELF, SITKA (via teleconference), testified in support of funding for Pre-K education. She had been a teacher and a member of the Sitka Assembly. She asserted that investment in Pre-K education had lifetime benefits to children and society and saved public funds in the long term. She thought COVID-19 had created innovation in schools. She noted the Sitka had been able to keep schools open with small class sizes. She discouraged cutting education funding. She noted that Sitka did not have equitable federal funds. She relayed that Sitka did not have Title 1 needs that other districts had. She suggested that the legislature allowed for districts to use the 2019 student count because of enrollment losses over the previous year during the pandemic. She asserted that the October 2020 student count would not accurately reflect the number of students that would be there in the fall of 2021. She mentioned the importance of school bond debt.

Co-Chair Stedman noted that the legislature had not yet discussed how it would deal with the student count issue due to COVID-19.

[9:08:08 AM](#)

MIKE COONS, PRESIDENT, ASSOCIATION OF MATURE AMERICAN CITIZENS - ALASKA CHAPTER, PALMER (via teleconference), spoke in support of reduced spending. He thought the state had a revenue problem. He was concerned about socialism. He suggested that socialists ran the presidency and the United States Congress. He had concerns about education outcomes. He did not support additional funding for Pre-K education. He mentioned an audit as proposed by Senator Shelley

Hughes. He supported SJR 1 and a full Permanent Fund Dividend (PFD).

9:09:48 AM

PAT BRANSON, MAYOR OF KODIAK, KODIAK (via teleconference), testified in support of funding for the Kodiak Fire Station. The building was constructed in the 1940s and was in the tsunami inundation zone. She discussed the origin of the buildings and the lack of structural integrity. She mentioned earthquakes in previous years. The building was not Americans With Disabilities Act, Occupational Safety and Health Administration, or Federal Emergency Management Agency compliant. The building had insufficient offices and resources for emergency response. She asserted that renovation was not an option. The city expected to purchase a site by the end of June 2021 and had invested \$1.3 million in the project. The city was requesting \$18.6 million in funding from the state. She thought the project might be suitable for general obligation bonds if the state pursued bonds as a capital budget financing mechanism.

Co-Chair Stedman stated that the committee was aware of the project.

9:12:09 AM

TOM BRICE, UNIVERSITY OF ALASKA FAIRBANKS ALUMNI ASSOCIATION BOARD OF DIRECTORS, JUNEAU (via teleconference), testified in support of funding for the University. He noted that he understood the difficult issues that needed to be addressed in the state. He asserted that the University was a part of the solution. He wanted the University budget to be stabilized. He mentioned SJR 8 [Urging the Alaska delegation in Congress, the United States Department of the Interior, and the Governor to facilitate a land grant endowment to the University of Alaska as well as other measures]. He mentioned the Technical Vocational Education Program (TVEP). He thought addressing deferred maintenance and debt relief helped with operating costs. He thanked the committee for its hard work.

9:13:22 AM

DIANNE MACRAE, SELF, KASILOF (via teleconference), spoke in support of a government audit. She shared that her husband

experienced disabilities. She thought funding had been set aside for her husband's care and discussed funding challenges. She mentioned an audit and Senator Shelley Hughes. She discussed use of land grants and lack of federal patents. She thought many agencies had money in different accounts that was not being fully used.

9:16:13 AM

JOSIE BAHNKE, DEPUTY CITY MANAGER, CITY OF KODIAK, KODIAK (via teleconference), supported funding for regional and community jails, pre-trial services, funding to prosecute state misdemeanors and the Alaska Marine Highway System (AMHS). She referenced the city's contract with the Department of Corrections (DOC). She asked for full funding of the DOC budget. The city opposed the governor's proposal to charge home rule municipalities for the prosecution of state misdemeanor crimes by the Department of Law. The city supported full funding for AMHS. She discussed how Kodiak utilized the ferry system to support supply of construction projects and transfer of U.S. Coast Guard personnel.

9:18:34 AM

DARLENE TURNER, EXECUTIVE DIRECTOR, KODIAK TEEN COURT, KODIAK (via teleconference), spoke in support of funding for the Kodiak Youth Court and the Division of Juvenile Justice (DJJ). She asserted that the youth court saved the DJJ a great deal of money. She shared a story of a student experiencing challenges and utilizing the Kodiak Youth Court process. She asserted that teen and youth courts saved the division money and changed the lives of young people.

9:22:53 AM

RICHMOND TOLLES, SELF, HAINES (via teleconference), testified against continued cuts to state services. He supported a state income tax. He suggested a seasonal tax. He opposed budget cuts to the AMHS and the University. He discussed challenges with accessing medical care without reliable ferry service. He did not support using the PFD as a political weapon.

9:24:00 AM

VIKKI JO KENNEDY, SELF, JUNEAU (via teleconference), spoke in support of funding essential services. She thought some reappropriation of funds was needed. She mentioned \$40 million appropriated for a 13-mile road in Kake that was not wanted by the residents. She thought there should be some auditing of funds. She thought reappropriations could be done. She supported an income tax. She had been contributing funds to the state. She emphasized finding ways to make the budget work. She wanted to protect the Permanent Fund and protect essential services like the AMHS. She discussed the poor condition of the road from Homer to Kenai.

9:27:40 AM

MARK DETTER, CITY MANAGER, VALDEZ (via teleconference), urged the committee to fund the Division of Motor Vehicles (DMV) office in Valdez. He discussed the aging population that needed in-person DMV services in Valdez. He urged the committee to fund school debt reimbursement. He supported funding the AMHS at 2020 funding levels. He expressed that the City of Valdez opposed any plan to force municipalities to pay for the prosecution of misdemeanors.

9:29:20 AM

NIKKI LOVE, COMMUNITY ENGAGEMENT COORDINATOR, ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN SE AK, JUNEAU (via teleconference), supported funding for early childhood education. She supported Head Start, Parents as Teachers, Best Beginnings, REACH Infant Learning Programs, and supports to help children's earliest years. She had seen success over time and emphasized that the investments in early childhood were working. She asked the committee to remember families and young children when working on the budget.

9:30:39 AM

SHANNON ADAMSON, MASTERS, MATES, AND PILOTS UNION, JUNEAU (via teleconference), testified in support of funding for the AMHS. She was also speaking on behalf the Marine Engineers Beneficial Association. She was on the Marine Transportation Advisory Board and the Southeast Conference's AMHS Reform Steering Committee. She had sailed as a licensed deck officer for the AMHS for seven years. She discussed the importance of the AMHS. She noted that

the vast majority of AMHS employees were Alaska residents that were invested in the ferry system. She suggested that the legislature engage with crew members. She asserted that management disregarded the opinions and feedback given by captains, chief engineers, and other department heads, specifically with regard to maintenance of vessels. She proposed that significant savings could be achieved by putting people with shipping expertise in charge of the ferry system. She encouraged the committee to increase funding for AMHS. As a private citizen, she believed the PFD could be put to better use supporting public services rather than as a dividend. She supported a tax structure to pay for state service. She encouraged the committee to seek revenue solutions to stabilize the budget.

[9:33:12 AM](#)

ELIZABETH LEBAN, JUNEAU YOUTH COURT, JUNEAU (via teleconference), supported funding for state youth court programs. She encouraged the committee to reinstate the cuts proposed by the governor. She had been director of the Juneau Youth Court for 15 years. She had witnessed the success of the youth court programs. She discussed successful outcomes from youth court programs, including reduced recidivism. The programs had part time staff and utilized a small amount of funds from the Division of Juvenile Justice. She thought the proposed cuts would limit the ability to support families and teens in Alaskan communities.

[9:34:49 AM](#)

ANDREW CREMATA, MAYOR OF SKAGWAY, SKAGWAY (via teleconference), spoke in support of local government funding. He mentioned that Senator Lisa Murkowski had mentioned that no community had been more affected by the pandemic as much as Skagway and the Denali Borough. He discussed the loss of municipal funding. He discussed use of CARES Act funding and local government reserves to help the economy in Skagway. He hoped for a fruitful cruise ship season the upcoming summer. He advocated for funding for the AMHS. He discussed the importance of the ferry system in Skagway. He emphasized the need for local control of finances. He discussed focusing on independent tourism and the need for a robust ferry system.

[9:37:21 AM](#)

NANCY DECHERNEY, EXECUTIVE DIRECTOR, JUNEAU ARTS AND HUMANITIES COUNCIL, JUNEAU (via teleconference), echoed the comments of the previous speaker regarding support for the AMHS. She commended the legislature for supporting non-profits. She commented that the arts council had a budget of over \$900,000. The council provided educational services, facilities services, and did other things in the community. She encouraged support of non-profits, which were nimble and could effectively address social issues in the community. She thanked the members for their work.

[9:38:46 AM](#)

AMY LUJAN, LEGISLATIVE LIAISON, ALASKA ASSOCIATION OF SCHOOL BUSINESS OFFICIALS, JUNEAU (via teleconference), supported increased funding for education. She thought past legislatures had been kicking the can down the road and had not addressed the long-term financial needs of the state. She cautioned there would be a fiscal cliff after the pandemic funds ran out. She thought it was misleading to say that the current level of Base Student Allocation (BSA) was fully funded. She cited that the BSA had been flat since 2017. She mentioned inflation and increased costs, while the legislature asked for increased results with reduced funding. She encouraged the members to visit the association's website to see inflation adjusted BSA charts. She noted that less than 10 percent of the capital budget maintenance projects requested by school districts had been funded in recent years. She asserted that infrastructure was crumbling. She stressed the need for a long-term fiscal plan. She supported a broad-based tax.

[9:41:59 AM](#)

NANCY BIRD, SELF, CORDOVA (via teleconference), spoke in opposition to cuts to services, specifically to the University and the AMHS. She supported additional revenues through an income tax and changes to the oil and gas tax structure. She thought the deficit could be addressed by multiple new revenue sources. She supported the percent of market value (POMV) draw from the Earnings Reserve Account. She did not support the governor's proposed PFD. She urged the committee to maintain the AMHS funding so that year-round service could continue.

[9:43:21 AM](#)

PAUL RIOUX, SITKA SCHOOL BOARD, SITKA (via teleconference), testified in support of fully funding public education. He appreciated the funding added outside the formula in previous years. He supported full funding for school bond debt reimbursement. He supported funding for the AMHS, which he thought was a prime economic driver that supported industries in Southeast.

[9:44:30 AM](#)

MIKE BROWN, MANAGER, MATSU BOROUGH, PALMER (via teleconference), spoke in support of full funding for school bond debt reimbursement for past projects. He advocated for support for school construction and major maintenance grant funding in the capital budget. He supported the Community Assistance Program. He noted that the borough had a ballot measure approved by voters that required a 50 percent match for road infrastructure.

[9:45:44 AM](#)

JOHN ERICKSON, CITY MANAGER, YAKUTAT (via teleconference), supported funding for the Power Cost Equalization Program. He noted that there was PFAS pollution at the airport in Yakutat, which he had tried to address with the Village Safewater Program. He supported funding for the AMHS. He relayed the Physical Recovery Fund. The city had only received \$112,000 because of its small population.

[9:47:13 AM](#)

Co-Chair Stedman thought there were several communities that faced the same issue as Yakutat due to the population. He stated that the legislature would be looking at the matter.

[9:47:26 AM](#)

LARRY LEWIS, SELF, KASILOF (via teleconference), testified in support of frugal government. He was a retired state employee and current business owner. He thought there was an "either/or" option to raise revenue via taxes or cut spending. He thought there should be more options. He proposed that the state look at restructuring how money was spent in the state. He discussed zero-based budgeting and the year-end expenditure of funds. He wanted the state to

encourage frugality. He suggested that there should be a method for state employees to communicate ideas to the legislature regarding agency spending.

9:51:56 AM

JOHN SONIN, SELF, JUNEAU-DOUGLAS (via teleconference), spoke in support of funding for essential services for children such as education and the AMHS. He reminded that even in the current constrained fiscal climate, it was important to remember that essential services allowed society to remain civilized. He stressed the importance of children and the future. He requested full funding for essential services.

9:53:45 AM

JIM TEBOW, SELF, KODIAK (via teleconference), testified in support of budget reductions as proposed by the governor. He had lived in the state since 1972. He supported conservative candidates. He thought the state should live within its means. He supported Senator Mike Shower, Representative George Rauscher, and the governor for working to reduce spending. He thought the state should not over-spend. He took issue with the school system and thought there should be less principals and more teachers. He thought there were too many administrative positions in education.

9:55:57 AM

MICHELE ELFERS, ALASKA PROFESSIONAL DESIGN COUNCIL, JUNEAU (via teleconference), supported the Land and Water Conservation Fund within the Department of Natural Resources. There was approximately \$2.1 million of Unrestricted General Funds (with \$3.5 million of federal matching funds from the Great American Outdoors Act. Her organization included ten other organizations. She was a landscape architect. The federal funding had not been accepted by the state and could provide jobs through design and construction of outdoor spaces.

9:57:33 AM

AT EASE

10:15:58 AM

RECONVENED

BETH WELDON, MAYOR OF JUNEAU, JUNEAU (via teleconference), testified in support of a broad-based tax as part of a sustainable budget. The city supported a broad-based tax, particularly an income tax. She noted that Juneau expected to receive only about \$12 million from the Recovery Act. The city was hoping for independent travelers. The city supported funding for the AMHS. She mentioned federal funds for rural transit, which she felt could be used to support the ferry system. She supported funding for school bond debt reimbursement.

10:19:03 AM

KATIE BENDER, PRESIDENT, UAA ALUMNI ASSOCIATION BOARD OF DIRECTORS, ANCHORAGE (via teleconference), spoke in support of funding for the University of Alaska. She asserted that a strong university would bring stability to the state. She spoke to addressing deferred maintenance and debt relief. She mentioned SJR 8 and the Technical Vocational Education Program (TVEP).

10:20:06 AM

DON SORENSON, SELF, WASILLA (via teleconference), testified against funding increases in education. He asked why there was increased funding for education when there was decreasing results. He supported decreasing education funding to reflect decreasing results.

10:21:28 AM

MARY LOEWEN, MEMBER OF UAF ALUMNI ASSOCIATION, KODIAK (via teleconference), supported funding for the University, the AMHS, and supported a broad-based tax. She and many of her family members were graduates of the UA system. She asserted that a strong University made for a strong state. She advocated for funding for AMHS, which was important to Kodiak and other remote areas on the coast.

10:22:50 AM

AT EASE

10:37:32 AM

RECONVENED

ERIN REINDERS, CITY MANAGER, UNALASKA (via teleconference), spoke in support of recapitalizing the Community Assistance Fund to the full amount. The city supported retaining shared taxes in place for distribution to communities. The city supported PCE payments and all efforts towards reliable internet broadband assistance. She cited that Unalaska's internet connection speed impeded business growth, medical services, postsecondary education and the overall quality of life. The city supported funding for AMHS at the previous year's level. She expressed that the AMHS provided a cost-effective way for community members and business to travel and ship materials. She discussed the important uses of the AMHS, including transport of the mobile mammogram. The city supported funding for the harbor facility matching grants. She mentioned the boat harbor inherited from the state. She asserted that public safety and emergency preparedness were vital and supported renegotiated agreements and funding. The city supported reinstatement of the local emergency planning committee.

10:41:14 AM

JOY LYON, EXECUTIVE DIRECTOR, ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN, JUNEAU (via teleconference), supported stable funding for early learning programs: Head Start, infant Learning, Parents as Teachers, Best Beginnings, and Imagination Library. She thanked the committee for its hard work during challenging times. She asserted that the programs she referenced were helping parents cope during the difficult times being experienced. She encouraged the committee to take a strong role in the large wave of federal relief funding coming to the state. She thought it was expected that Alaska would receive over \$90 million to stabilize childcare. She questioned whether the state was ready to have the staffing in place to put the funds to the best use. She hoped that the legislature would be devoted to improving the wages for childcare providers. She thought better coordination would help to utilize the funds more effectively.

Co-Chair Stedman discussed the agenda for the afternoon meeting.

SB 49 was HEARD and HELD in committee for further consideration.

SB 50 was HEARD and HELD in committee for further consideration.

SB 51 was HEARD and HELD in committee for further consideration.

#

ADJOURNMENT

10:44:44 AM

The meeting was adjourned at 10:44 a.m.